



Kent District Library



Financial Statements
Year Ended December 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Kent District Library	County Kent
Fiscal Year End 12/31/2006	Opinion Date 6/25/2007	Date Audit Report Submitted to State 7/11/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

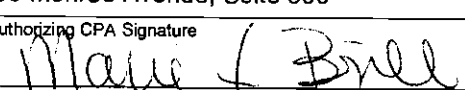
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BDO Seidman, LLP		Telephone Number (616) 774-7000	
Street Address 99 Monroe Avenue, Suite 800		City Grand Rapids	State MI
		Zip 49503	
Authorizing CPA Signature 	Printed Name Marie J. Brill		License Number 1101028386

Introductory Section	
Board of Trustees	3
Independent Auditors' Report	4
Management's Discussion and Analysis	5-12
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds	
Balance Sheet	15
Reconciliation of Fund Balance of Governmental Funds to Net Assets on the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Fiduciary Fund	
Statement of Fiduciary Net Assets	19
Statement of Changes in Fiduciary Net Assets	20
Notes to Financial Statements	21-35
Required Supplementary Information	
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	36
Other Supplementary Information	
Capital Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	37

Kent District Library

Board of Trustees

Joel Hondorp
Chairperson

Shirley Bruursema
Vice Chairperson

Carol Simpson
Secretary

Sandra Wisniewski
Treasurer

Vickie Hoekstra

Michael Maier

Bradley LaTour

Charles Myers



BDO Seidman, LLP
Accountants and Consultants

99 Monroe Avenue NW, Suite 800
Grand Rapids, Michigan 49503-2654
Telephone: (616) 774-7000
Fax: (616) 776-3680

Independent Auditors' Report

Board of Trustees
Kent District Library
Comstock Park, Michigan

We have audited the accompanying basic financial statements of Kent District Library as of and for the year ended December 31, 2006. These basic financial statements are the responsibility of the management of Kent District Library. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kent District Library's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Kent District Library as of December 31, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BDO Seidman, LLP

Grand Rapids, Michigan
June 25, 2007

Management's Discussion and Analysis

This Management's Discussion and Analysis provides an overview of the Kent District Library's (Library) financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the basic financial statements, which follow this discussion.

Financial Highlights

- The Library's assets exceeded liabilities at the close of the fiscal year 2006 by \$9.1 million (reported as *net assets*).
- The Fund Balance of the Library's General Fund increased by \$416,107 and the Capital Fund by \$99,020 for a combined increase of \$515,127. This brings the total Government Fund Balance to \$3,152,025 or 20% of current year expenditures, achieving the Kent District Library Board's target for Fund Balance of 15% to 20% of expenditures.
- The Library was the recipient of three grants. The Gates Grant, \$33,000, provided for the replacement of old Gates Grant computers. The Early Literacy Grant, \$15,350, given to promote early literacy skills in young children, was part of a larger community effort. The Loleta Fyan Grant, \$10,000, is a national grant whose purpose is to create playful, interactive and educational library environments for young children. The grant was used to renovate the Krause Memorial Branch children's area.
- The Library continued its implementation of Express Check using RFID technology (Radio Frequency Identification) at the Byron, Cascade, Plainfield, East Grand Rapids, Grandville, Kentwood and Krause Memorial Branches. Express Check reduces waiting lines by allowing customers to check out their own items, leaving staff free for customer service. The 2006 expenditure for RFID was \$335,726.
- In 2006, all of the 250 public computers were replaced. The new computers provide current advances in technology, such as media ports and the ability to burn CD's. The cost for the computer replacement was \$322,131, net of the Gates Grant.

Overview of the Financial Statements

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities indicate how the Kent District Library performed financially during 2006. These government-wide statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private-sector companies. All of the reporting year's revenues and expenses are accounted for regardless of when cash was received or paid.

These two statements report the Library's net assets and the changes in those assets. The change in net assets is important because it indicates whether the financial position of the Library has

improved or diminished. Changes can result from many factors, some financial, some not. Non-financial factors may include a decision to expand Library services or utilize new technology. Financial factors may include a change in the Library's property tax, a change in state aid or other factors.

Government Funds

The Kent District Library's governmental activities are presented in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances. The purpose of the fund statements is to provide information on the general operations and services of the Library. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

The reconciliation of the Governmental Funds to the Statement of Net Assets and the Statement of Activities can be found on pages 16 and 18 of the Financial Statements, and are called *Reconciliation of Fund Balance of Government Funds to Net Assets on the Statement of Net Assets* and *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities*.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. These funds use the accrual basis of accounting. This fund is not included with the other financial statements because the Library cannot use these assets to finance operations. The Library is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Kent District Library as a Whole

Net assets are an indicator of a government's financial position. As of December 31, 2006 the Library's assets exceeded its liabilities by \$9,113,806. The bulk of the Library's net assets, 67.7% reflect its investment in capital assets (e.g. land, building, building improvements, collection, equipment and furniture). These assets are used to provide services to customers and staff and are not available for future spending. The remaining 32.3% is unrestricted and can be used to finance day-to-day operations.

**Kent District Library
Net Assets**

	<u>2005</u>	<u>2006</u>
Current and other assets	\$ 15,842,311	\$ 17,118,122
Capital assets	5,687,665	6,903,233
Total Assets	<u>21,529,976</u>	<u>24,021,355</u>
Current liabilities	13,274,421	14,140,194
Long-term obligations	458,729	767,355
Total Liabilities	<u>13,733,150</u>	<u>14,907,549</u>
Net assets:		
Invested in capital assets, net of unrelated debt	5,363,438	6,168,094
Unrestricted	2,433,388	2,945,712
Total Net Assets	<u>\$ 7,796,826</u>	<u>\$ 9,113,806</u>

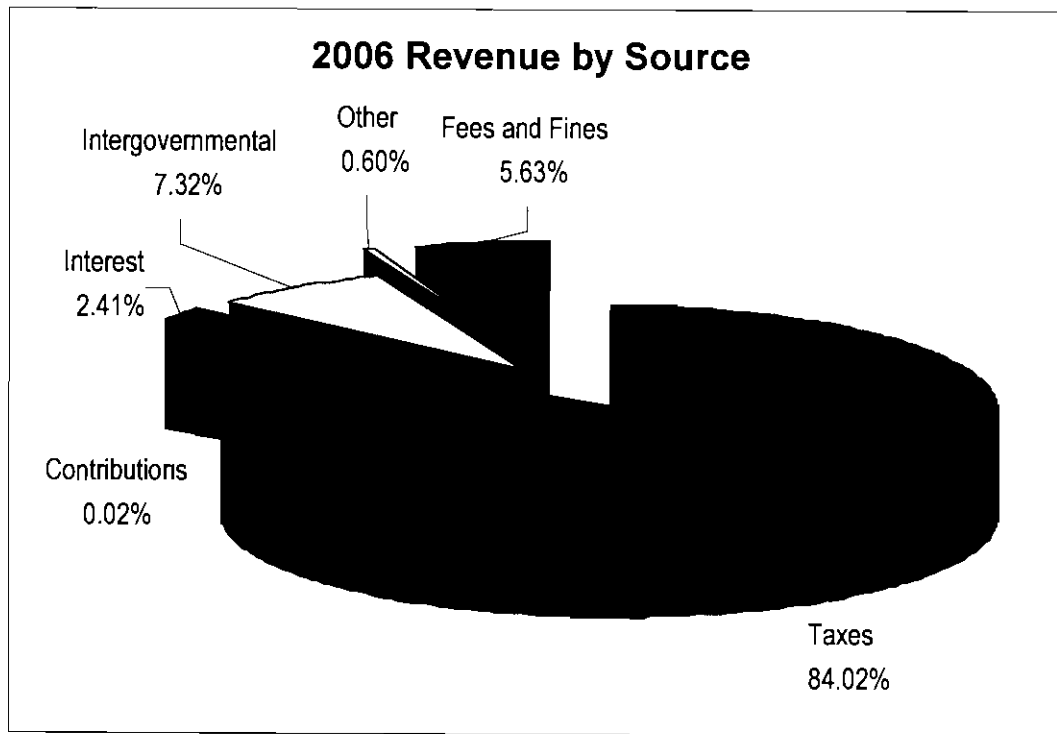
Changes in Net Assets

Kent District Library governmental activities, as detailed in the *Statement of Activities*, produced revenues of \$15,001,484 and expenses of \$13,684,504, providing a change in net assets of \$1,316,980.

**Kent District Library
Changes in Net Assets**

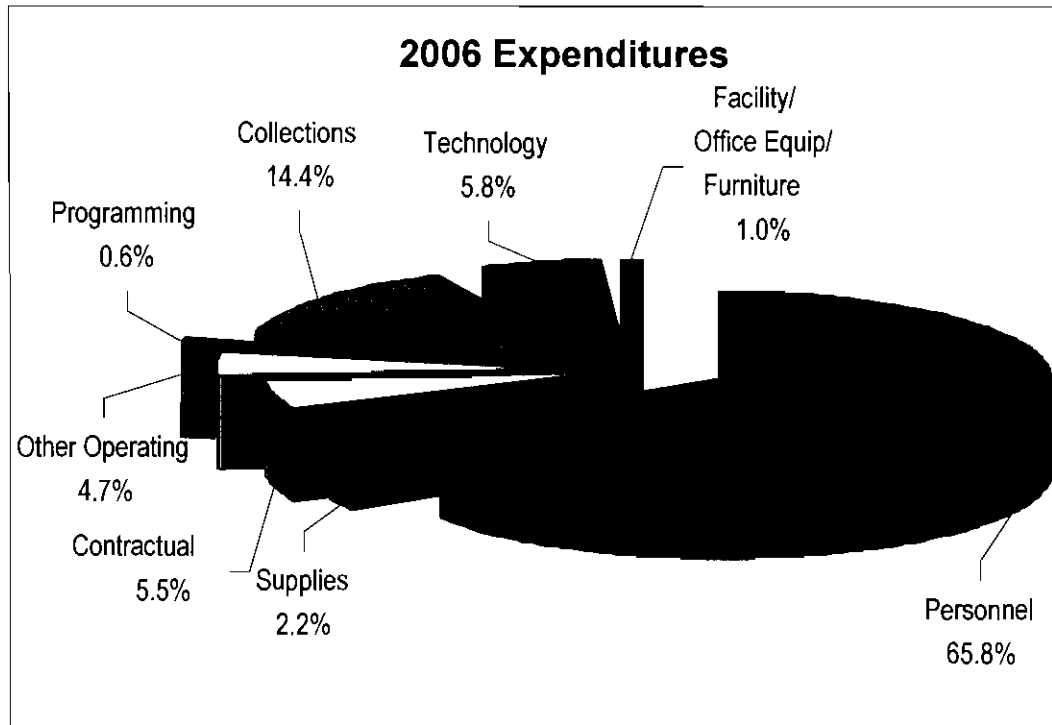
	<u>2005</u>	<u>2006</u>
Revenues		
Taxes	\$ 11,925,616	\$ 12,604,250
Intergovernmental	1,207,246	1,098,289
Fees and fines	893,245	844,302
Interest	222,352	361,658
Contributions	5,115	2,505
Other	249,373	90,480
Total Revenues	<u>14,502,947</u>	<u>15,001,484</u>
Expenditures		
Personnel	9,512,696	9,529,276
Supplies	220,010	325,762
Contractual	733,550	790,804
Other operating	788,764	765,044
Programming	97,293	93,133
Collections	1,803,209	1,607,190
Technology	881,217	352,520
Facility, office equipment and furniture	200,995	220,775
Total Expenditures	<u>14,237,734</u>	<u>13,684,504</u>
Change in Net Assets	265,213	1,316,980
Net Assets, beginning of year	<u>7,531,613</u>	<u>7,796,826</u>
Net Assets, end of year	<u>\$ 7,796,826</u>	<u>\$ 9,113,806</u>

Governmental Funds



The Library generated \$15,001,484 in revenues for the fiscal year ending December 31, 2006. Of that, 84% were from property taxes. The property taxes recognized as revenue in 2006, were levied on December 1, 2005 and due on February 28, 2006. 2005 was the second year of a 10-year millage, covering the years 2004 to 2013. The authorized millage was 0.88 mills, but the actual revenue received from property taxes was lower for several reasons, such as tax relief provided to various development authorities and appeals of property assessments to the tax tribunal. The full 0.88 mills were levied and were not reduced by the Headlee amendment. Reductions due to DDA's (Downtown Development Authority), LDFA's (Local Development Finance Authority) and Brownfield Redevelopment Authority amounted to \$139,105. The reduction resulting from tax tribunal reviews was \$43,853, bringing the property tax collection amount to \$12,604,250.

Other significant funding sources are Intergovernmental and Fees and Fines. Intergovernmental generates 7.3% of revenues and is comprised of State Aid, Penal Fines and State Shared Revenue. Revenues from Penal Fines and State Aid dropped by \$64,232 and \$60,796 respectively, creating a 1% drop in revenues in this category. Fees and fines produced revenues of 5.6%. The major components of this revenue stream are Overdue Fines, Audio and Video Rentals. The Library was able to capitalize on interest rate increases and the revenues of this category increased by \$139,306.



Expenditures incurred to provide services to the district were \$14,486,357. The largest expenditure category was personnel at \$9,526,473 (65.8%). The Kent District Library has 265 full and part-time staff. Of that, 210 staff members (79.2%) work with the public at the eighteen branches located throughout the district and 37 staff members (14.0%) directly support the branches from the Service Center, providing processing and cataloging of collection materials, library programs, printing and computer services. The Administration, Business Office, Communications and Human Resources departments are comprised of the remaining 18 staff members (6.8%).

Other expenditure categories of note include Collections at \$2,088,152 (14.4%) for the books, magazines, videos, DVDs, recordings and electronic databases purchased for public use. Another is Contractual (5.5%). Some important components of Contractual are the Integrated Library System (electronic catalog shared with the Lakeland Cooperative), OCLC Authority Control (used in the cataloging materials), Branch Maintenance fees (paid to municipalities based on square footage of library), Insurance, and various service contracts (delivery within Lakeland Cooperative, payroll fees, collection fees and computer maintenance agreements). Technology expenditures (5.8%) include the deployment of Express Check to an additional seven branches and a district-wide public PC replacement. Concluding with Other Operating (4.7%), the largest contributors to this expenditure are Training, Telecommunications and Advertising (services and programs).

Financial Analysis of the Kent District Library's Funds

The Kent District Library's fund balance increased at year-end by \$515,127, bringing the total Government Fund Balance to \$3,152,025. Of this amount, \$88,391 represents prepaid expenditures and the Board has designated \$86,024 for capital expenditures. This leaves an undesignated balance of \$2,977,610 or 18.8% of current expenditures. This provides for 69 days of operation.

Reporting Kent District Library's Fiduciary Responsibilities

The Kent District Library Employees' Retirement Plan was established by the Board of Trustees and is administered by the Plan Pension Board.

This report includes the activities of the plan in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets because the library cannot use these assets to fund its operations (pages 19 and 20).

The library is responsible for ensuring these assets are used for their intended purpose.

General Fund Budgetary Highlights

The General Fund's original budget was amended. The original budget with revenues of \$14,919,963 and expenditures of \$14,878,401 provided excess revenues over expenditures of \$41,562. The final budget shows revenues of \$14,961,256 and expenditures of \$14,811,256, with excess of revenues over expenditures of \$150,000.

Actual results provided an excess of revenues over expenditures of \$616,107. \$200,000 was transferred to the Capital Fund. Significant variances between the final budget and actual expenditures are listed below:

- Interest - A positive variance of \$24,998. The Library benefited from increasing interest rates.
- Personnel - A reduction in expenditures of \$238,019. When the 2006 budget was established health costs were unknown. Actual costs were lower than estimated. Additionally, several positions remained unfilled for periods of time during the year, notably Webmaster, IT Director, Youth Parapro, and Circulation Assistants.
- Contractual - A reduction in expenditures of \$37,297. The Library ceased weekend delivery from LLC because of the cost.
- Other operating - A reduction in expenditures of \$31,363. A planned TV ad was delayed until 2007.

- Collections - A reduction in expenditures of \$56,208. Materials ordered in 2006 were not received by December 31, 2006.
- Technology - A reduction in expenditures of \$41,071. The Library was without an IT Director for a period of time, not all technology plans were carried out.

Capital Fund Budgetary Highlights

The Capital Fund's original budget was amended. The original budget indicated a funding source of \$150,000 and expenditures of \$104,988 with an ending fund balance of \$45,012. The final budget shows a funding source of \$200,000, revenues of \$6,000 with expenditures of \$110,988 and an ending fund balance of \$95,012.

The first phase of the Service Center renovation was completed in 2006 at a cost of \$106,995. Actual results provided an excess of revenues over expenditures of \$99,020. The variances between the final budget and actual expenditures were not significant.

Capital Assets

As of December 31, 2006, the Kent District Library had \$6,903,233 invested in Capital Assets, including land, building, furniture and equipment, and collections. This represents additions to the capital assets of \$3,199,714 before deletions of \$995,089 and net depreciation expense of \$989,057. The following schedule indicates the capital asset balances net of depreciation for the year.

Land	\$ 440,000
Building and building improvements	1,691,855
Furniture and equipment	1,538,541
Collections	3,232,837
Total	<u>\$ 6,903,233</u>

Additional information on capital assets can be found in Note 6.

Long-Term Obligations

At the end of the year, December 31, 2006, the Kent District Library had an obligation for Capital Leases and Compensated Absences of \$941,452, of which \$174,097 is due within one year. A large portion of the Capital Lease expense is due to the Library's Express Check initiative. Due to rapid changes in technology, the Library deemed it prudent to lease the Express Check equipment rather than purchase it. A summary of the Kent District Library's outstanding long-term obligations for the year ended December 31, 2006 is presented below:

Capital leases	\$ 735,139
Compensated absences	206,313
Total	<u>\$ 941,452</u>

Additional information on long-term obligations can be found in Note 8.

The Kent District Library's Future

The Kent District Library plans to enhance service to patrons by expanding wireless capability to all its branches in 2007. This will allow patrons to access the internet using their own computers. The estimated cost of this project is \$46,000.

The Library is also planning to implement a print management system. This will allow patrons to print from a public computer to a printer/copier that has B/W and Color capability. The system will utilize a reusable payment card that the patron can replenish as needed. This is expected to increase the Library's operational efficiency, as well as be a convenience for the patron. Patrons will no longer have to come to the service desk every time they need to print from a public computer. The 2007 cost to implement the print management system is \$75,000. The total cost of the print management system over a four year period is \$365,000.

The Kent District Library's Service Center serves the branches by purchasing, processing and cataloging collection materials, performing the administrative role in the areas of Library leadership, Human Resources, Business, Marketing and Information Technology. To increase operational efficiency, the Service Center performed a 10-year needs study. The purpose was to insure the Service Center was adequately positioned to support the branches. To this end, the Library plans to expand into the vacant suite in the building it owns. The new space will house the Human Resources and Information Technology departments and a large storage area. This move will allow the current Delivery area to double in size. Delivery has increased 33% since 2003. The cost of the second phase of the expansion and renovation is estimated to be \$318,000. The first phase was completed in 2006.

Contact for Additional Information

If you have questions about this report or need additional information, contact the Finance Director at the Kent District Library, 814 West River Center N.E., Comstock Park, Michigan 49321, 616-784-2007.

Government-Wide Financial Statements

Kent District Library

Government-Wide Financial Statements Statement of Net Assets

<i>December 31, 2006</i>	Governmental Activities
Assets	
Current Assets	
Cash (Note 4)	\$ 116,488
Investments (Note 4)	4,602,530
Receivables:	
Property taxes	12,289,309
Other	21,404
Prepaid expenses	88,391
Total current assets	17,118,122
Noncurrent Assets	
Capital assets (Note 6):	
Non-depreciable	440,000
Depreciable, net of accumulated depreciation	6,463,233
Total Assets	24,021,355
Liabilities	
Current Liabilities	
Accounts payable (Note 7)	147,896
Accrued wages	169,060
Deferred revenue	13,544,038
Local funds	105,103
Current portion of long-term obligations (Note 8)	174,097
Total current liabilities	14,140,194
Noncurrent Liabilities	
Noncurrent portion of long-term obligations (Note 8)	767,355
Total Liabilities	14,907,549
Net Assets	
Invested in capital assets, net of related debt	6,168,094
Unrestricted	2,945,712
Total Net Assets	\$ 9,113,806

See accompanying notes to financial statements.

Kent District Library

Government-Wide Financial Statements Statement of Activities

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<i>Year ended December 31, 2006</i>	Expenses			Total
Functions/Programs				
Governmental Activities:				
Operations:				
Personnel	\$ 9,529,276	\$ -	\$ -	\$ (9,529,276)
Supplies	325,762	-	-	(325,762)
Contractual	790,804	-	-	(790,804)
Other operating	765,044	-	-	(765,044)
Programming	93,133	-	-	(93,133)
Collections	1,607,190	844,302	2,505	(760,383)
Technology	352,520	-	33,000	(319,520)
Facility, office equipment and furniture	220,775	-	25,350	(195,425)
Total Library	\$ 13,684,504	\$ 844,302	\$ 60,855	(12,779,347)

General revenues:	
Taxes	12,604,250
Intergovernmental	1,098,289
Interest revenue	361,658
Other	32,130
Total general revenues	14,096,327
Change in net assets	1,316,980
Net Assets, beginning of year	7,796,826
Net Assets, end of year	\$ 9,113,806

See accompanying notes to financial statements.

Fund Financial Statements

<i>December 31, 2006</i>	General Fund	Capital Fund	Total Governmental Funds
Assets			
Cash (Note 4)	\$ 116,488	\$ -	\$ 116,488
Investments (Note 4)	4,502,204	100,326	4,602,530
Receivables:			
Property taxes	12,289,309	-	12,289,309
Other	21,404	-	21,404
Prepaid expenditures	75,395	12,996	88,391
Total Assets	\$ 17,004,800	\$ 113,322	\$ 17,118,122

Kent District Library

Governmental Funds Balance Sheet

	General Fund	Capital Fund	Total Governmental Funds
<i>December 31, 2006</i>			
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 133,594	\$ 14,302	\$ 147,896
Accrued wages	169,060	-	169,060
Deferred revenue	13,544,038	-	13,544,038
Local funds	105,103	-	105,103
Total liabilities	13,951,795	14,302	13,966,097
Fund Balances			
Reserved for:			
Prepaid expenditures	75,395	12,996	88,391
Unreserved:			
Board designated	-	86,024	86,024
Unreserved reported in:			
General fund	2,977,610	-	2,977,610
Total fund balances	3,053,005	99,020	3,152,025
Total Liabilities and Fund Balances	\$ 17,004,800	\$ 113,322	\$ 17,118,122

See accompanying notes to financial statements.

Kent District Library

Reconciliation of Fund Balance of Governmental Funds to Net Assets on the Statement of Net Assets

December 31, 2006

Total fund balances - total governmental funds (from page 15) \$ 3,152,025

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds. These assets consist of:

Non-depreciable capital assets	\$ 440,000	
Depreciable capital assets	16,280,926	
Accumulated depreciation	<u>(9,817,693)</u>	
Net capital assets		6,903,233

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. Balances are as follows:

Compensated absences	(206,313)	
Capital leases	<u>(735,139)</u>	
Total long-term liabilities		<u>(941,452)</u>

Net Assets of Governmental Activities \$ 9,113,806

See accompanying notes to financial statements.

Kent District Library

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

	General Fund	Capital Fund	Total Governmental Funds
<i>Year ended December 31, 2006</i>			
Revenues	\$12,604,250	\$ -	\$ 12,604,250
Taxes	1,098,289	-	1,098,289
Intergovernmental	844,302	-	844,302
Fees and fines	355,643	6,015	361,658
Interest revenue	58,350	-	58,350
Operating grants	2,505	-	2,505
Contributions	32,130	-	32,130
Other			
Total Revenues	14,995,469	6,015	15,001,484
Expenditures			
Operations:	9,526,473	-	9,526,473
Personnel	325,762	-	325,762
Supplies	790,804	-	790,804
Contractual	674,244	-	674,244
Other operating	93,133	-	93,133
Programming	2,088,152	-	2,088,152
Collections	693,722	-	693,722
Technology	43,847	106,995	150,842
Facility, office equipment and furniture			
Debt retirement:	143,225	-	143,225
Principal			
Total Expenditures	14,379,362	106,995	14,486,357
Excess (deficiency) of revenues over expenditures	616,107	(100,980)	515,127
Other Financing Sources (Uses)			
Transfers from other fund (Note 5)	-	200,000	200,000
Transfers to other fund (Note 5)	(200,000)	-	(200,000)
Total Other Financing Sources (Uses)	(200,000)	200,000	-
Change in fund balances	416,107	99,020	515,127
Fund Balances, beginning of year	2,636,898	-	2,636,898
Fund Balances, end of year	\$ 3,053,005	\$ 99,020	\$ 3,152,025

See accompanying notes to financial statements.

Kent District Library

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended December 31, 2006

Net change in fund balances - total governmental funds (from page 17)		\$ 515,127
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 3,199,714	
Depreciation expense	<u>(1,892,905)</u>	
Net effect of capital outlays		1,306,809
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of contract principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Issuance of capital contracts	(554,137)	
Repayments of principal contracts	<u>143,225</u>	
Net effect of debt issuance and repayment		(410,912)
Governmental funds report proceeds from the sale of capital assets as other financing sources while on the statement of activities the difference between the proceeds and the book value of the assets is reported as a gain or loss.		
		(91,241)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Change in balance is as follows:		
Compensated absences		<u>(2,803)</u>
Change in Net Assets of Governmental Activities		<u>\$ 1,316,980</u>

See accompanying notes to financial statements.

Kent District Library

Statement of Fiduciary Net Assets

<i>December 31,</i>	<i>2006</i>
Assets	
Cash equivalents (Note 4)	\$ 1,214,558
Receivables	
Employer contribution	44,654
Employee contribution	18,634
Interest and dividends	82,094
Total receivables	145,382
Investments, at fair value (Note 4)	
United States treasury bills, notes and bonds	2,609,433
Corporate bonds, debentures and notes	1,770,467
Foreign obligations	93,880
Foreign equity mutual funds	2,500,690
Domestic mutual funds	17,807,209
Government agency obligations	231,640
Total investments	25,013,319
Total Assets	\$26,373,259
Net Assets Held in Trust for Pension Benefits	\$26,373,259

See accompanying notes to financial statements.

Kent District Library

Statement of Changes in Fiduciary Net Assets

<i>Year ended December 31,</i>	<i>2006</i>
Additions	
Contributions:	
Employer	\$ 767,439
Employee	327,983
Total contributions	1,095,422
Investment income:	
Net appreciation in fair value of investments	1,451,231
Interest	250,053
Dividends	740,974
	2,442,258
Less investment expense	64,259
Net investment income	2,377,999
Total Additions	3,473,421
Deductions	
Benefits	234,286
Refunds of contributions	39,911
Administrative expense	24,557
Total Deductions	298,754
Change in Net Assets	3,174,667
Net Assets Held in Trust for Pension Benefits (a schedule of funding progress is presented in Note 10), beginning of year	23,198,592
Net Assets Held in Trust for Pension Benefits, end of year	\$26,373,259

See accompanying notes to financial statements.

Kent District Library

Notes to Financial Statements

1. Description of the Kent District Library

Effective July 1, 1994, the Kent District Library (Library) was established pursuant to Act No. 24 of the Public Acts of 1989. Its purpose is to provide Library services to the residents of the district. The Library may also enter into contracts to provide Library services to municipalities outside the district.

The Library is governed by a Board consisting of eight members who are appointed by the Kent County Board of Commissioners according to geographic regions. The Board has the authority to levy taxes and determine its budget, the power to designate management and accountability for the Library's fiscal matters. The financial statements of the Library contain all funds for which the Library is financially accountable. The Library's primary source of revenue is property taxes. The voters within the Library's service area have approved a levy of .88 mills for operating purposes. This millage is approved through 2013.

2. Summary of Significant Accounting Policies

Basis of Presentation

Government-wide financial statements: The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. The government-wide financial statements categorize activities as either governmental or business-type. All of the Library's activities are classified as governmental.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes and certain other items are reported as general revenues.

Fund financial statements: The fund financial statements provide information about the Library's funds. Separate financial statements are provided for governmental funds and

Kent District Library

Notes to Financial Statements

fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Individual governmental funds are reported in separate columns in the fund financial statements.

Governmental Funds

Governmental Funds are used to account for the Library's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the Governmental Funds of the Library:

General Fund is the general operating fund of the Library. It is used to account for all financial resources except those that are being accounted for in another fund.

Capital Project Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities and or facility improvements.

Fiduciary Fund represents the Kent District Library Employees' Retirement Plan used to account for assets in the Library's name for the benefit of employees and retired employees. These funds are custodial in nature and do not involve measurement of results of operations.

When both restricted and unrestricted resources are available, it is the Library's policy to use restricted resources first.

Measurement Focus and Basis of Accounting

The Library uses the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. The Library considers revenues available if earned and collected within 60 days after the end of the current fiscal period. Property tax revenues are recognized as revenues in the fiscal year for which they were levied. Expenditures are generally recognized when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Kent District Library

Notes to Financial Statements

However, for presentation of the year-end audited financial data, the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. These statements are similar to statements used in the private sector by for-profit business enterprises and not-for-profit organizations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The government-wide financial statements follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements. The Library has elected to apply only GASB pronouncements subsequent to November 30, 1989.

Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General Fund is subject to legal budgetary accounting controls and is budgeted annually. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to July 1, branch managers and department heads submit an expenditure budget report for the fiscal year commencing the following January 1.
- During July and August, the Director and Finance Director develop an operating budget based upon the proposed expenditures and projected revenues for submission to the Board in August.
- Board budget work sessions are held in August.
- Public hearings are conducted by the Board during the September Board meeting and the final budget is adopted in September.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.

Kent District Library

Notes to Financial Statements

- Budgeted amounts are as originally adopted or as amended by the Board of Trustees during the calendar year. Amendments were not material to the originally adopted budget.

Cash, Investments and Accrued Interest

Cash deposits of the Library consist of checking accounts and a municipal investment fund maintained at a local bank. Other funds, except those of the retirement fund, are deposited in the Kent County Pooled Cash and Investment System (Money Max). Interest income earned in Money Max is included in the pooled funds. Only the Library's portion of this pool as reported by the County is reported on the balance sheet. Investments are reported at fair value.

Capital Assets

Tangible assets having a useful life in excess of one year, with cost in excess of \$2,000, are capitalized. Capital assets are stated at acquisition cost or fair value at the date of acquisition. Donated assets are stated at their estimated market value as of the donation date. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Building	25
Building improvements	15
Furniture and equipment	5
Collections	5
Vehicles	5

Property Taxes

Property taxes are levied on December 1 at all local units at which time the taxes attach as an enforceable lien on the property. The taxes are due February 28 of each year. The Library's portion of the 2006 taxes are collected by the local units and remitted to the Library as it is received. The Library records its portion of the property taxes as deferred revenue in the General Fund when levied and recognizes the taxes as revenue in the ensuing year.

Kent District Library

Notes to Financial Statements

The Library's portion of the 2006 property tax levy, which was based on the rate of .88 mills, applied to a total taxable value of real and personal property located in the Library district of approximately \$15,251 billion, is subject to change due to review and tax tribunal decisions.

Interfund Activity

During the course of its operations, the Library has transactions between funds. To the extent that certain transactions had not been paid or received as of December 31, 2006, balances of interfund receivables or payables have been recorded.

Risk Management and Benefits

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to minimize its exposure to these risks, the Library purchases commercial insurance coverage. Employee health insurance is also provided by private insurance carriers. There have been no settlements in excess of the Library's insurance coverage.

Compensated Absences

Library employees are granted vacation leave in varying amounts based on length of service. Employees may not accumulate over 200 hours of vacation leave in any one calendar year. The Library also allows employees to accumulate unused holiday leave up to a maximum of 40 hours per employee. Upon termination, employees are paid for unused vacation and holiday leave at their current rates of pay.

Full-time employees accumulate sick leave at a rate of 12 days (or 96 hours) per year. Part-time employees accumulate sick leave on a pro rata basis based on a full-time schedule. Unused sick leave accumulates from year to year to a maximum of 1,440 hours. No portion of unused sick leave is paid to employees upon termination. It is the Library's policy to recognize the cost of vacation and holiday pay and sick leave at the time the liability is incurred. In the governmental fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the government-wide financial statements.

Kent District Library

Notes to Financial Statements

Deferred Revenue

Deferred revenue represents property taxes levied but not due until the following year. The taxes attach as an enforceable lien at the time of levy. Property taxes deferred will be recognized as revenue during 2007.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

3. Stewardship, Compliance and Accountability

There were no expenditures in excess of appropriations for the year ended December 31, 2006.

4. Cash, Deposits and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having business in the state of Michigan which are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits might not be recovered. The Library does not have a policy for mitigating custodial credit risk related to deposits. At December 31, 2006, the Library's bank balance was \$2,650,964 of which \$2,550,964 was exposed to custodial credit risk since it was uninsured and uncollateralized.

Kent District Library

Notes to Financial Statements

Investments

State statutes authorize the Library to invest in obligations of the United States treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements and mutual funds composed of the types of investment vehicles previously named. The Employees' Retirement Plan (Plan) is also authorized to invest in corporate stocks and bonds and certain other investments as allowed by state law.

At December 31, 2006, the Library had the following investments:

Investment Type	Fair Value	Investment Maturity			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Debt securities					
U.S. treasuries	\$ 1,574,520	\$ 248,242	\$ 517,082	\$ 574,969	\$ 234,227
U.S. treasury strips	1,034,913	-	56,275	687,384	291,254
U.S. agencies	231,640	-	156,235	63,195	12,210
Corporate obligations	1,770,467	125,609	665,745	439,224	539,889
Foreign obligations	93,880	-	33,143	54,837	5,900
Money market mutual funds	1,214,558	1,214,558	-	-	-
	5,919,978	\$1,588,409	\$ 1,428,480	\$1,819,609	\$1,083,480
Other investments					
External investment pool	2,423,250				
Domestic equity mutual funds	17,820,904				
Foreign equity mutual funds	2,500,690				
Total Investments	\$ 28,664,822				

The Library participates in the Kent County investment pool. The Treasurer of Kent County manages the Pool, which is not subject to regulatory oversight, is not registered with the SEC and does not issue separate financial statements. The fair value of the Library's position in the pool is the same as the value of the pool shares.

Kent District Library

Notes to Financial Statements

Interest Rate Risk

The Library does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan minimizes interest rate risk by structuring its fixed income portfolio to have an average duration of no more than 120% of the duration of the benchmark.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library and the Plan will not be able to recover the value of its investments that are in the possession of an outside party. The Library and the Plan minimize custodial credit risk by limiting investments to those permitted by Public Act 314 of 1965 and by only doing business with investment managers that agree to comply with all relevant laws and regulations, the Plan's investment policy and the Plan's objectives.

At December 31, 2006, \$4,705,420 of the Plan's investments were uninsured, not registered in the Plan's name and held by the counterparty. The Library had no amounts subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The Library does not have an investment policy to mitigate credit risk. The Plan's fixed income portfolio invests in both investment grade bonds and high yield bonds but the overall credit rating is not to be below an "A" rating. The plan's policy further states that commercial paper shall not be rated less than A1/P1 unless held in a diversified short-term commingled fund. At December 31, 2006 the Library and Plan had the following credit ratings:

<i>Debt Investment</i>	<i>Fair Value</i>	<i>AAA</i>	<i>AA</i>	<i>A</i>	<i>BBB</i>	<i>Unrated</i>
U.S. agencies	\$ 184,625	\$ 156,235	\$ -	\$ -	\$ -	\$ 28,390
Corporate obligations	1,770,467	503,730	379,016	571,877	315,844	-
Foreign obligations	93,880	-	-	29,312	64,568	-
Money market mutual funds	1,214,558	1,214,558	-	-	-	-
External investment pool	2,423,250	-	-	-	-	2,423,250
Totals by Rating	\$ 5,686,780	\$ 1,874,523	\$ 379,016	\$ 601,189	\$ 380,412	\$ 2,451,640

Kent District Library

Notes to Financial Statements

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Library's and the Plan's investment in a single issuer. The Library does not have an investment policy that limits the amount that may be invested in any one issuer. The Plan's investment policy provides that no single company's securities shall represent more than 5% at cost of the market value of the portfolio, with the exception of U.S. treasuries and agencies.

At December 31, 2006 the Library and the Plan had no investment in a single issuer that exceeded 5% of total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or deposit. Neither the Library nor the Plan has a policy to mitigate foreign currency risk. The Plan's exposure to foreign currency risk is as follows:

<i>Investment</i>	<i>Fair Value</i>
Foreign equity mutual funds	\$ 2,500,690

5. Interfund Transfers

Interfund transfers during the current fiscal year were as follows:

<i>December 31, 2006</i>	<i>Interfund Transfers In</i>	<i>Interfund Transfers Out</i>
General Fund	\$ -	\$ 200,000
Capital Fund	200,000	-
	\$ 200,000	\$ 200,000

The transfers from the General Fund to the Capital Fund were Board designated funds that were used for Library facility improvements.

Kent District Library

Notes to Financial Statements

6. Capital Assets

The following table summarizes, by major class of asset, the capital asset activity for the year ended December 31, 2006:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Capital assets, not being depreciated				
Land	\$ 440,000	\$ -	\$ -	\$ 440,000
Capital assets, being depreciated				
Building	2,108,900	-	-	2,108,900
Building improvements	50,541	92,226	-	142,767
Furniture and equipment	2,963,380	1,239,579	379,303	3,823,656
Collections	8,935,480	1,867,909	615,786	10,187,603
Vehicles	18,000	-	-	18,000
Total capital assets being depreciated	14,076,301	3,199,714	995,089	16,280,926
Less accumulated depreciation for				
Building	463,958	84,356	-	548,314
Building improvements	5,054	6,444	-	11,498
Furniture and equipment	2,158,019	499,439	372,343	2,285,115
Collections	6,183,605	1,302,666	531,505	6,954,766
Vehicles	18,000	-	-	18,000
Total accumulated depreciation	8,828,636	1,892,905	903,848	9,817,693
Total capital assets being depreciated, net	5,247,665	1,306,809	91,241	6,463,233
Capital Assets, net	\$ 5,687,665	\$ 1,306,809	\$ 91,241	\$ 6,903,233

Kent District Library

Notes to Financial Statements

Depreciation expense was charged to governmental functions as follows:

Collections	\$ 1,302,666
Facility, office equipment and furniture	293,650
Technology	205,789
Other operating	90,800
Total Depreciation Expense	\$ 1,892,905

7. Line of Credit

The Library has a line of credit agreement which permits borrowings up to \$10,000 and bears no interest. At December 31, 2006, \$1,587 was outstanding under the line of credit agreement and is included in accounts payable on the statement of net assets and governmental fund balance sheet.

8. Long-Term Obligations

The following is a summary of changes in long-term obligations:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006	Due Within One Year
Capital leases	\$ 324,227	\$ 554,137	\$ 143,225	\$ 735,139	\$169,097
Compensated absences	203,510	482,455	479,652	206,313	5,000
	\$ 527,737	\$ 1,036,592	\$ 622,877	\$ 941,452	\$174,097

Capital Leases

The Library is obligated under certain leases for office equipment accounted for as capital leases. The leased assets and related obligations are accounted for in the government-wide financial statements. Assets under capital leases totaled \$910,125 at December 31, 2006.

Kent District Library

Notes to Financial Statements

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of December 31, 2006:

<i>Year ending December 31,</i>	
2007	\$ 214,079
2008	211,164
2009	211,164
2010	178,044
2011	27,432
Minimum lease payments for all capital leases	841,883
Less amount representing interest	106,744
Present Value of Minimum Lease Payments	\$ 735,139

9. Contingencies

The Library has received several grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grants. The Library believes such disallowances, if any, will be immaterial.

10. Retirement Plan

Plan Description

The Kent District Library Employees' Retirement Plan (Plan) is a single-employer defined benefit pension plan covering substantially all employees of the Library. The Plan was established and may be amended by the Board of Trustees and is administered by the Plan Pension Board. The Plan provides retirement, disability and death benefits to Plan members and their beneficiaries.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report may be obtained by contacting the Library.

Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Contributions to the Plan are recognized when due and benefits and refunds are recognized when due and payable, in accordance with the terms of the Plan.

Method Used to Value Investments

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

Funding Policy

The contribution requirements of Plan members are established and may be amended through union agreements. Active plan members are required to contribute 4.5% of their salary to the Plan after meeting eligibility requirements. The Library is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The Library's contribution rate was 10.53% of annual covered payroll in 2006. Administrative costs of the Plan are financed through investment earnings.

Annual Pension Cost and Net Pension Obligation

The Library's annual pension cost and annual required contribution was \$764,681 in 2006. The Plan had no net pension benefit obligation at December 31, 2006 and 2005.

The annual required contribution for the year ended December 31, 2006 was determined as part of the January 1, 2005 actuarial valuation using the entry-age normal cost method. The actuarial assumptions included: (a) a rate of return on investments of 7% per year compounded annually; (b) projected salary increases ranging from 5.5% to 12.1% per year, compounded annually, attributable to inflation, seniority/merit and other causes; and (c) the assumption that benefits will increase 1% per year beginning three years after retirement.

Kent District Library

Notes to Financial Statements

Three-Year Trend Information

<i>Year ended December 31,</i>	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
2004	\$ 614,580	100%	\$ -
2005	731,571	100	-
2006	764,681	100	-

Schedule of Funding Progress (dollar amounts in thousands)

<i>Actuarial valuation date</i>	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (b)-(a)	Funded ratio (a)/(b)	Active member covered payroll (c)	Funding excess as a percentage of active member covered payroll ((b-a)/c)
January 1, 2005	\$20,890	\$ 19,042	\$ (1,848)	109.7%	\$6,807	(27.1)%
January 1, 2006	22,934	21,371	(1,563)	107.3	7,164	(21.8)
January 1, 2007	25,947	23,122	(2,825)	112.2	7,073	(39.9)

The remainder of this page intentionally left blank.

Notes to Financial Statements

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2007
Actuarial cost method	Entry-age normal
Amortization method	Level percent over 10 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases attributable to inflation, seniority/merit and other causes	5.5% to 12.1%
Cost of living adjustments	1% per year beginning three years after retirement

11. Other Postemployment Benefits

In addition to the pension benefits described in Note 10, the Library provides postretirement health care benefits, in accordance with the KDL/UAW labor contract, to all employees who retire from the Library under the Library's retirement plan and elect to receive benefits. For retirees prior to July 1, 2001, the Library pays a monthly amount of \$3 per year of continuous service, not to exceed 30 years, less \$15 towards medical and hospitalization premiums until age 65. For employees who retire after July 1, 2001, the Library pays a monthly amount of \$6 per year of service, not to exceed 30 years. Library contributions are conditioned upon the retiree participating in the same health care program that is provided to members of the Library's bargaining unit. At December 31, 2006, two retirees were eligible to receive postretirement health care benefits. Total expenditures of \$5,160 were recognized for three retirees who elected to receive postretirement health care benefits in 2006.

Required Supplementary Information

Kent District Library

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

<i>Year ended December 31, 2006</i>	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 12,569,886	\$ 12,597,988	\$ 12,604,250	\$ 6,262
Intergovernmental	1,184,224	1,082,212	1,098,289	16,077
Fees and fines	888,894	857,344	844,302	(13,042)
Interest revenue	194,975	330,645	355,643	24,998
Contributions	5,000	3,000	2,505	(495)
Other	76,984	90,067	90,480	413
Total Revenues	14,919,963	14,961,256	14,995,469	34,213
Expenditures				
Operations:				
Personnel	9,895,368	9,764,492	9,526,473	238,019
Supplies	319,068	344,037	325,762	18,275
Contractual	857,167	828,101	790,804	37,297
Other operating	712,260	705,607	674,244	31,363
Programming	99,803	100,641	93,133	7,508
Collections	2,156,360	2,144,360	2,088,152	56,208
Technology	808,375	878,018	836,947	41,071
Facility, office equipment and furniture	30,000	46,000	43,847	2,153
Total Expenditures	14,878,401	14,811,256	14,379,362	431,894
Excess of revenues over expenditures	41,562	150,000	616,107	466,107
Other Financing Uses				
Transfers to other fund	-	-	(200,000)	(200,000)
Change in fund balance	41,562	150,000	416,107	266,107
Fund Balance, beginning of year	2,636,898	2,636,898	2,636,898	-
Fund Balance, end of year	\$ 2,678,460	\$ 2,786,898	\$ 3,053,005	\$ 266,107

Other Supplementary Information

Kent District Library

Capital Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

<i>Year ended December 31, 2006</i>	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenue				
Interest revenue	\$ -	\$ 6,000	\$ 6,015	\$ 15
Expenditures				
Facility, office equipment and furniture	104,988	110,988	106,995	3,993
Deficiency of revenues over expenditures	(104,988)	(104,988)	(100,980)	4,008
Other Financing Source				
Transfer from other fund	150,000	200,000	200,000	-
Change in fund balance	45,012	95,012	99,020	4,008
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ 45,012	\$ 95,012	\$ 99,020	\$ 4,008



BDO Seidman, LLP
Accountants and Consultants

99 Monroe Avenue NW, Suite 800
Grand Rapids, Michigan 49503-2654
Telephone: (616) 774-7000
Fax: (616) 776-3680

June 25, 2007

Members of the Board of Trustees
Kent District Library
Comstock Park, Michigan

Dear Members:

During the course of our audit of Kent District Library's financial statements for the year ended December 31, 2006, we observed the Library's significant accounting policies and procedures and certain business, financial and administrative practices. In planning and performing our audit of the financial statements of the Library as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the second paragraph of this letter and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.



As a result of our observations, we suggest you consider the following:

Physical Control Over Payroll Checks

During the audit, it was noted that employees in the human resources department who have access to employee master files also have access to payroll checks.

Recommendation

The Library should develop internal procedures to ensure that employees who have access to employee master files do not have access to payroll checks.

Branch Controls Over Payroll Checks

During our branch interview procedures it was noted at one of the locations that employee checks are left in an unlocked drawer for employees to pick up at their convenience. It was also noted in our procedures that a policy defining controls over payroll checks at branch locations does not exist.

Recommendation

Implement procedures at branch locations to restrict access to payroll checks to the appropriate individual(s).

* * * * *

This letter is intended solely for the information of management and others within the Library and should not be used for any other purposes.

We appreciate the outstanding cooperation from your personnel that we received during the audit of the Library's financial statements.

Very truly yours,

BDO Seidman, LLP